

1) Discuss one Insurance product and comment on its benefits

Ans Unit-Linked Regular Premium, from Muang Thai Life Insurance, is the insurance that allows policyholders to choose which fund that they want insurance company to invest their premiums in. In other words, when policyholders buy the unit from insurance company, it similar to they buy saving vehicle along with coverage plan. Therefore, the benefit from unit-linked insurance company is that it allows policyholders to freely choose the fund that insurance company provided by based on risk awareness and investment style of each policyholder. Let's say, if policyholder is risk-lover, then he/she can decide to choose equity fund. Moreover, another benefit that make it better than invest in fund alone is that if the policyholder pass away during the insurance coverage period, no matter the net asset value that invested from his/her premiums, the insurance will pay in the amount as it promised.

2) Which mortgage would result in higher total payments?

Mortgage A: \$970 a month for 30 years

Ans $\$970 * 12 * 30 = \$349,200$

Mortgage B: \$760 a month for 5 years and \$1005 for 25 years

Ans $(\$760 * 12 * 5) + (\$1005 * 12 * 25) = \$45,600 + \$301,500 = \$347,100$

Therefore, **mortgage A**, which total payment is \$349,200, has higher total payments than mortgage B, which total payment is \$347,100.

3) What are the two main types of consumer credit?

Ans There are **installment credit** and **noninstallment credit**. The installment credit is the credit that borrower has to pay in fixed amount every periodic payment, while noninstallment credit is the credit that including all type of payments except fixed amount. Moreover, in noninstallment credit, borrower can borrow more even he/she did not pay the previous loan yet. For example, borrower can pay the principal amount in the last date of borrowing contract.

4) What are the general rules of measuring credit capacity?

Ans The general rules of measuring credit capacity, which are **debt to income ratio** and **debt to equity ratio**. Debt to income ratio calculated by the summation of monthly debt expense (excluding mortgage loan) divided by monthly expense and we prefer it's not to exceed 20%. Debt to equity ratio calculated from liabilities divided by net worth and we prefer it's not to exceed 50%.

5) A few years ago, Michael Tucker purchased a home for \$100,000. Today, the home is worth \$150,000. His remaining mortgage balance is \$50,000. Assuming that Michael can borrow up to 80 percent of the market value, what is the maximum amount he can borrow?

Ans Michael can borrow up to $= \text{Market Value} * 80\%$
 $= \$150,000 * 80\%$
 $= \$120,000$

But, now Michael has mortgage value \$50,000

So, Michael can borrow more at maximum amount of $= \$120,000 - \$50,000$
 $= \$70,000$